WHAT IS THE AMUSEMENT TAX?

Obscure city tax causing major issues for businesses in Peoria.



DEFINITION

Section 12-410 of the City of Peoria tax code sets a tax rate of 2.8% on gross income for businesses that provide amusement that begins in the City or takes place entirely within the City. The tax code describes the following types of businesses as entities required to pay the tax:

1. Operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dance halls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.
2. Health spas, fitness centers, dance studios, or other persons **who charge for the use of premises** for sports, athletic, other health-related activities or instruction, whether on a per-event use, or for long-term usage, such as membership fees (known as Option H).

WHAT'S THE ISSUE?

The City of Peoria began sending audit letters to businesses in May of 2023 retroactively collecting this tax. These businesses operate dance, martial arts, and gymnastics academies that charge for instruction, not for the use of their premises, and do not fit the definition of amusement.

These businesses never received prior notification that this is a tax they are required to pay. This tax has not been enforced for businesses of this nature since the tax was established via special election on September 13, 2005.

Numerous businesses that should pay the tax per the definition stated in the tax code are also not aware and have not been paying due to lack of communication and precedent by the City of Peoria in enforcing this tax.

35 of 91 cities and towns in Arizona have Option H in place.

PROPOSED SOLUTION

The City of Peoria realizes the ambiguous language contained in Option H of the tax code, the lack of precedent in collecting the tax, and the lack of communication to the business community about this tax and:

OPTION 1

Excludes businesses that provide instruction from this tax and discontinues sending audit letters retroactively collecting the tax.

OPTION 2

Decides it is inappropriate to retroactively collect the tax and sets a go-forward date for future tax collection.



PEORIA CHAMBER OF COMMERCE

RHONDA CARLSON

President & CEO
Peoria Chamber of Commerce

We continue to identify businesses being impacted, many of whom are in danger of closing due to the financial impact to their business. We hope the City of Peoria will work with our business community and provide positive resolution.

Please contact me if you are or could be a business impacted.

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